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SUBJECT: CHINESE BID TO BUY HUMMER AWAITS GOVERNMENT  
APPROVAL, DEEMED UNLIKELY BY SOME

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¶1. (SBU) SUMMARY. A Chinese industrial machinery company has  
signed a memorandum of understanding (MOU) with General Motors  
(GM) to purchase its civilian Hummer brand. A GM China  
official (protect) confirmed that Sichuan Tengzhong Heavy  
Industrial Machinery does not have experience in the  
automobile market, and even may not have initially understood  
the civilian Hummer line. One industry insider speculated  
Tengzhong may be interested in Hummer engine technology. The  
acquisition still requires government approval, and officials  
indicated the deal did not have Beijing's support. End  
Summary.

Sichuan Heavy Machinery Company  
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¶2. (SBU) According to Tengzhong's website, heavy machinery  
equipment manufacturer is one of China's largest non-state-  
owned engineering companies. The company was established in  
1965 as the state-owned Sichuan Changdian Electric Company,  
and was purchased by the current owners in 2005. Since then,  
it has grown rapidly by acquiring other previously state-owned  
enterprises.

¶3. (SBU) According to GM China, Sichuan Tengzhong Heavy  
Industrial Machinery Company is not a car company. In fact,  
they were extremely unfamiliar with the Hummer initially, and  
GM had to clarify that the military Hummer and the civilian  
Hummer are entirely different vehicles. One industry analyst  
speculated that given Chinese auto companies' relative  
weakness in engine technology, Tengzhong is interested in  
acquiring Hummer's advanced engine technology. GM announced  
that they had chosen to sell to Tengzhong because it has the  
money to commit to long-term growth and plans to keep  
operations in the United States.

Not a Done Deal  
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¶4. (SBU) Although an MOU has been signed by the two companies,  
the deal still needs the approval of the Chinese government.  
The National Development and Reform Commission (NDRC) must  
approve all large-scale overseas acquisitions by both state-  
owned enterprises (SOEs) and private companies. According to  
an NDRC official, the Commission's Department of Industry has  
not yet received an application from Tengzhong to buy Hummer.  
The GM China official told EconOff that GM is going to  
formally brief the Chinese government on the sale conditions  
in the coming weeks.

15. (SBU) NDRC officials in conversations with the Embassy cited several concerns about the deal. First, Tengzhong has no experience running a car company, and the plan is to keep the brand and management intact. Second, Hummers are not energy efficient, which runs counter to China's current push for energy-efficiency in the auto industry. One official said the proposed acquisition "may be a no-result deal." The GM China representative confirmed this view.

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